

## THE ORGANIZATIONAL STRUCTURE OF INDUSTRIAL AND INDEPENDENT LABOR GROUPS IN THE PETROLEUM INDUSTRY

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Essential to the structure of any labor organization are its common objectives and purposes. In a large measure, these determine the collective action directed toward satisfying labor's group needs and desires. The manner in which the labor group is formally organized, and the procedures established for the process of collective bargaining are fundamental to the organization and character of industrial relations. Industrial relations are dynamic and are construed here to be that system of social relationships arising from the interaction in the bargaining process between representatives of management and labor.<sup>1</sup>

The historical development of industrial relations throughout American industry, and the increasing consideration being given to labor as a human factor and not simply as an economic factor of production have been due "to the pressure of trade-union activity, either in the form of organization drives or strikes in the trade or vicinity."<sup>2</sup> This has also been true of the program of industrial relations in the petroleum industry. The latter has had for its historical background one of the bitterest and most merciless conflicts in the history of American labor: the so-called "Ludlow Massacre" of 1913-1914. This tragic incident took place on the property of the Colorado Fuel and Iron Company, a company in which John D.

<sup>1</sup> There is still some disagreement among various sociologists whether industrial relations can be concerned only with management-labor relations. Cf. Herbert Blumer, "Sociological Theory in Industrial Relations", *American Sociological Review*, XII (June 1947), 276; Wilbert E. Moore, "Current Issues in Industrial Sociology", *American Sociological Review*, XII (December 1947), 651; also Moore's *Industrial Relations and the Social Order* (New York: Macmillan Company, 1947), p. 6.

<sup>2</sup> Florence Peterson and Joseph J. Senturia, "Characteristics of Company Unions", *Monthly Labor Review*, XLVI (April 1938), 822.

Rockefeller, Jr., was the principal stockholder.<sup>3</sup> Coming as the strike and violence did at a time when public opinion was still aroused and incensed over the monopolistic practices of his father's Standard Oil Trust, young Rockefeller hurriedly called upon Mackenzie King, then Minister of Labor in Canada, who suggested an employee-representation plan, one of the major features of which were the joint committees composed of representatives from both management and labor. This plan later served as the model for the employee-representation plan subsequently adopted by the Standard Oil Company (New Jersey) and its subsidiaries.<sup>4</sup> It is noteworthy that the management of the Jersey Company was dominated by the same Rockefeller interests involved in the disastrous experience in the Colorado coal mines. Yet, a few years later, despite this experience, the management of the Jersey Company steadfastly refused to bargain with its petroleum workers. The result was again violence and bloodshed during the riotous strikes of refinery workers at Bayonne, New Jersey during 1915-1916.<sup>5</sup>

As a result of this era of labor unrest, an employee-representation plan closely patterned after the one instituted at the Colorado Fuel and Iron Company was submitted to, and approved by, the board of directors of the Jersey Company. This plan, drawn up and approved in 1918 without any consultation with the workers, was hailed by the Jersey Company as "a kind of Magna Charta for Jersey's employees, foremen and top management."<sup>6</sup> It was approved despite the antagonistic attitude of John D. Rockefeller, Sr. toward any form of labor organization: "My ideas about them (trade unions) are not those held by some others. But my son will see; others will see; things change very little. It is hard to under-

<sup>3</sup> Report on the Colorado Coal Strike (vols. I, II), Hearings before a subcommittee on Mines and Mining, House of Representatives, 63rd Congress (Washington: Government Printing Office, 1916).

<sup>4</sup> See Clarence J. Hicks, *My Life in Industrial Relations* (New York: Harper Bros., 1941), pp. 44-51. Note: Following the practice of the Standard Oil Company (New Jersey), reference to this corporation henceforth will be shortened to "Jersey Company" or "Jersey Standard".

<sup>5</sup> Stuart Chase, *Generation of Industrial Peace* (New York: Standard Oil Company (New Jersey), 1946).

<sup>6</sup> Frank W. Pierce, employee relations director of Jersey Standard, "Talking Things Over in An Organization", an address before the Summer Institute on Community Leadership (Syracuse University, July 1946), p. 8.

stand why men will organize to destroy the very firms or companies that are giving them the chance to live and thrive; but they do it. . . . Soon the real object of their organizing shows itself—to do as little as possible for the greatest amount of pay.”<sup>7</sup>

Organization of labor in the petroleum industry on a fairly extensive scale by outside unions is a development only of the past ten or fifteen years, and generally speaking, widespread unionization is found only among the larger petroleum corporations.<sup>8</sup> Along with the growth of the large vertically integrated petroleum corporation that depends so heavily upon mass production techniques and huge financial investments, the organization of labor in the industry has also undergone considerable change and has become a very complex social group.

Of the three major types of union organizations (craft, industrial and independent), the largest group throughout the industry from the standpoint of the number of workers covered by collective agreements is the Oil Workers International Union, a C. I. O. industrial organization with collective agreements covering approximately sixty per cent of all union members. Independent organizations include about thirty-five per cent of the workers, while the various A. F. of L. unions cover the remaining five per cent. Presently, therefore, labor of the petroleum industry is characterized by its organization into two large and opposing labor groups: the industrial union and the independent association.<sup>9</sup>

Basic differences between the respective constitutions of the industrial union and the independent association will have a significant effect upon the industrial relations in the company or the plant where one or the other of these labor groups is recognized as the bargaining agency. Consequently, these constitutional differences tend to be reflected in the kind of agreements negotiated between management and labor. In this connection it is important to keep in mind the distinction between constitutions and collective agree-

<sup>7</sup> Alan Nevins, John D. Rockefeller: The Heroic Age of American Enterprise (New York: Charles Scribner's Sons, 1940), Vol. II, p. 675.

<sup>8</sup> Cf. Joe E. Brown and C. Wilson Randle, Earnings in Southwestern Petroleum Industry, Bureau of Labor Statistics, U. S. Department of Labor (Washington: Government Printing Office, 1944), p. 20.

<sup>9</sup> Philomena Marquardt, Union Agreements in the Petroleum Refining Industry in Effect in 1944, Bulletin No. 823, Bureau of Labor Statistics, U. S. Department of Labor (Washington: Government Printing Office, 1945), p. 2.

ments. The constitution embodies the rules and regulations that provide the formal structure under which the labor union operates. The collective agreement, on the other hand, is a contract between management and labor whose conditions have been determined and agreed upon only after a process of negotiation.

Unfortunately it is not possible within the limited scope of this discussion to consider in detail the important and dynamic process of collective bargaining. The following discussion must necessarily be limited; hence the emphasis will be upon an analysis of the constitutional provisions with respect to the structure and function of the industrial union and the independent association. The procedure will be to contrast the Oil Workers International Union, the largest single industrial union in the petroleum industry, with one of the typical independent associations of the Jersey Standard. In 1940, the Jersey Company had agreements with fifty-five separate independent associations covering 35,884 (or ninety-eight percent) of its 36,722 workers who were eligible for union membership.<sup>10</sup> These agreements, with minor variations such as the name of the independent association, are indetical in many respects. Therefore, in the following discussion, unless otherwise noted, evidence for the differences between the industrial union and the independent association will be taken from two sources: *the Constitution and By-laws of the Oil Workers International Union (C.I.O.), 1947-1948* (hereafter referred to as OWIU), and the *Constitution and By-laws of the Independent Industrial Workers Association, 1947* (hereafter referred to as IIWA). The latter association is the labor organization for the Esso-Standard Refinery (a fully-owned subsidiary of Jersey Standard) at Baton Rouge, Louisiana.

As a consequence of structural changes in the original employee-representation plan, or company union, of the Jersey Company (largely the result of federal legislation and court decisions),<sup>11</sup> the independent association appears in many respects to approximate the characteristics of the industrial union. This is especially true if its external structure is observed only casually or superficially. It is obvious, however, upon a more careful scrutiny that the two types of labor organizations are fundamentally quite varied, es-

<sup>10</sup> Chase, *op. cit.*, p. 27

<sup>11</sup> Chase, *op. cit.*, pp. 14-17

pecially with regard to the structure and functioning of their internal operations.

One of the basic differences between the formal organization of the two labor groups is the manner in which their respective objectives are stated. The industrial union "believing it to be the natural right of those who toil, that they shall enjoy to the fullest extent the wealth created by their labor, and realizing that it is impossible to obtain the full reward of labor, except by united action and through organization founded upon sound principles along economic, cooperative lines . . ." has been organized "into a Union for the purpose of collective bargaining and other mutual benefits; it shall be the object of this organization to work for the reduction of hours of toil, the establishment of equitable conditions, and to adjust and establish a high standard of conditions and commensurate wage, thereby assuring to all workers in the industry just compensation and time to share in the benefits flowing from the organization. (OWIU, Art. I, Sec. 3, pp. 3-4). Compared with these objectives, those of the independent association seem to be less vigorous and forthright: "To act as a bargaining agency between employees and the management . . .; to promote cooperation between employees and the management; to give employees advice in matters of mutual interest, including wages, hours of work, safety, sanitation and working conditions; to provide an orderly and expeditious procedure for the prevention and adjustment of differences; and to accord a means through which employees may be furnished information of mutual interest by management; and to promote and advance its welfare; to bring into closer association the members of this association and to negotiate and sign agreements with the management. . . ." (IIWA, Art. II, Sec. 1, pp. 1-2). It would appear, from the respective objectives of these two labor organizations, that the independent association still contains much of the phraseology and philosophy so often expressed in the constitutions of earlier company unions.<sup>12</sup>

The two labor groups are likewise in sharp contrast with respect to the limitations placed upon their respective memberships. The industrial union invites all persons engaged in any branch of the petroleum industry, or allied industries associated with the oil industry, who are below the rank of supervisory employees to become

<sup>12</sup> Peterson and Senturia, *op. cit.*

members: "no person shall be refused membership because of race, color, creed or sex" with the exception that anyone "accepting membership in the Communist or Fascist organizations shall be expelled." (OWIU, Art. I, Sec. 1, p. 3). The independent labor group under consideration in this discussion confines its membership to the workers below supervisory rank who are employed only in certain departments of the manufacturing division of a local refinery. Furthermore, the employees eligible for membership in the independent association are segregated into White and Negro sections "with each section electing its own officers and committees." (IIWA, Art. I, Sec. 1, p. 1).

As a result of limiting its membership to a single department or plant, the independent association has little opportunity for contacts with other organized groups. Thus the lack of knowledge or information concerning the activities of organizations similar to its own (even within the same corporation), or about the prevailing conditions in other companies and plants doing essentially the same kind of work, may very easily prevent the independent association from performing one of its most important functions: that of bargaining for the adoption of improved standards that may be in force elsewhere in the industry or locality. While segregation of membership into racial groups may be the result of conforming to the culture pattern in the region, such a practice, nevertheless, may be fraught with the inherent danger that management is in the position of being able to play off one group against the other.

Closely related to membership eligibility is the matter of financial dues and assessments as provided for in the respective constitutions of the two labor organizations. Other things being equal, differences in initiation fees and dues may be an important factor enhancing competition between rival labor organizations and may very well be the determining factor in the choice of the worker as to which group he will join. The industrial union, for example, has initiation fees ranging from \$2.00 to \$25.00, and monthly dues of \$2.50 to \$3.00. (OWIU, Art. X, Secs. 3, 6, pp. 28-30). On the other hand, the independent association charges its members no initiation fee, and its dues "shall be no more than fifty cents per month." (IIWA, Art. XIV, Sec. 2, p. 15). Not only are its per capita dues small and its assessments limited, but the treasury of the independent is further restricted by terms of its constitution which states: "when the

membership per capita fund of ten dollars shall have been accumulated in the treasury, such dues shall be suspended, and no greater amount will be allowed to accumulate." (IIWA, Art. XIV, Sec. 1, p. 15).

While primarily the function of the labor union is to obtain benefits for its group through peaceful means of collective bargaining, the fact remains that the principal and most powerful weapon of the labor organization is the withholding of its services; namely through the medium of the strike. If financial means for supporting a strike are unavailable, the bargaining power of the labor group is seriously weakened; it can wield nothing more effective than a rather impotent threat of a strike. This is the position that obtains in the case of the independent association. Without adequate funds to support a strike of any considerable proportion or duration, the independent association generally is forced either to capitulate or to accept a compromise more favorable to management in its collective bargaining on a controversial issue. It is forced into a position of having to wait until management is willing to concede the gains won elsewhere by the industrial union. On the other hand, if the independent should carry out its threat to strike, it would almost certainly result in failure. It would have no allied group upon which it could call for assistance, nor would it have sufficient resources with which to combat the full resources of such a giant corporation as Jersey Standard.

In addition to its important function as a bargaining agency for collective security, another and equally important function of the labor organization is to serve as a social group by means of which the membership may satisfy the fundamental human needs of group association and the opportunity for self-expression. One measure of the social effectiveness of a labor organization, since activities are normally carried on under leadership of its officers, is the degree to which the rank and file members have the opportunity to make known their ideas, wishes and opinions on matters concerning the welfare of the group. The value of the labor organization to its members is considerably enhanced if the group meets regularly and the membership is afforded the democratic privilege of choosing its officers and representatives in a free election by secret ballot following ample opportunity for full debate.

Of the two types of labor organizations under consideration, the

importance and recognition of the need for the members to meet frequently for a free and full discussion of its problems is better realized by the industrial union. The latter is very specific in its insistence that a local union hold regularly scheduled meetings not less than once a month upon the penalty of forfeiting its charter. (OWIU, Local Art. I, Sec. 4, p. 57). The only provisions in the constitution and by-laws of the independent association for meetings of the full membership are those providing for "an annual meeting prior to the annual election", and the special meetings called by the president of the council "when requested by the council or in written request of not less than 100 members of the Association." (IIWA, Art. XI, Sec. 1, pp. 11-12). In the independent association being discussed here, there had been no regular meeting called of the full membership for several years. (One member of the *Independent Industrial Workers' Association* who has been a representative for five years stated there had been no general meeting of the association during the time he held office.)

There are also notable differences between the industrial local union and the independent association with regard to the organization of their governing bodies. The industrial local, of course, is subject to the rules and regulations of the international union to which it belongs. Officers of the international are nominated at a convention where each delegate is entitled to vote an equal proportion of his local's membership. Nominations are reduced by secret ballot until there are only two candidates for each office. These nominations are then submitted to the individual members of all locals; thus each member of the union eventually participates directly in the election of the international officers. (OWIU, Art. II, Sec. 1, p. 57).

The independent association has no such provision for a direct election of its officers by the entire membership. Its procedure is for the membership to elect representatives annually on the basis of one representative for every one hundred employees of a voting division. Nominations for representatives are obtained in two ways: either a candidate may nominate himself by signing a written notice of his candidacy thirty days prior to the election, or the name of a candidate may be placed on the ballot of his voting division provided twenty-five per cent of that division makes such a request in the form of a signed petition. (IIWA, Art. IV, Secs. 2-4, pp. 4-5).



Curiously enough elections of the independent association for the past several years have been conducted by mail with a limitation of fifteen days in which to return the ballot.<sup>13</sup> The administrative body of the independent association is the Council composed of the elected representatives which operates almost independently of the Association. Its actions are not subject to the approval or disapproval of the full membership of the association, for the constitution provides that "the action of the Council shall be final in all matters." (IIWA, Art. XII, Sec. 6, p. 13). The constitution likewise implies that the proceedings of the council are not published nor made known to the full membership since a council member may be "charged" for disclosing confidential information "to others outside the Council." (IIWA, Art. XII, Sec. 7, p. 13). It is also worth noting that in the meetings of the council "members of the Council shall speak no more than twice on any subject in debate and shall be limited to five minutes unless given special privilege which shall require a request to the chair and a majority vote of the Council." (IIWA, Art. XII, Sec. 4, p. 13).

In summary then, labor in the petroleum industry is found to be represented by two widely divergent types of organizations; the industrial local, affiliated with the Oil Workers International Union and the independent association whose membership is confined to the eligible employees of a single company, plant, or department.

Presumably the primary function of a labor union is to bring together individual workers in order to increase the relative economic position of the workers through the process of collective bargaining. The objective of collective security presupposes, at least theoretically, a labor organization entirely independent of management. However, in the case of the Jersey Company its policy has been to deal individually with a number of autonomous independent associations. This practice not only has enabled the company to resist every effort on the part of outside labor groups to organize its workers, but has also enabled it to exercise considerable influence over the functioning of the independent associations. As Pierce points out concerning the early employee-representation plan of the Jersey Company, "its spirit still broods

<sup>13</sup> Cf. *Morning Advocate*, Baton Rouge, Louisiana newspaper, May 19, 1948, p. 6A. The fifteen day limitation apparently is a Council ruling for the constitution has no such provision.

over the contracts negotiated in 1946. The basic provisions appear and reappear throughout thirty years of peace."<sup>14</sup>

The above comparison of the two labor groups reveals that the independent association, because of its structural organization, tends to be under much greater handicaps in its negotiations with management.

First of all, the independent association still suffers from the constitutional limitations inherent in the earlier company union or employee-representation plans from which it evolved. Originally the company union or the employee-representation plan was conceived, developed, and financed for many years by management and it is not surprising that present day independent associations, as implied from its constitutional provisions, are not yet entirely free from at least indirect control or supervision by management. It is also significant that the subsequent development of the independent association has not been the result of spontaneous employee action or initiative, but rather its present form has been a direct consequence of legislation and judicial decisions that have compelled the company to abandon its direct control over former company unions.

Limited to a single company, plant or department, and having no contact with other labor organizations, the independent association is unable to acquire adequate knowledge of existing conditions or comparative wage scales. The independent association is further handicapped by its practices whereby each department executes its own agreement with management, and its membership is segregated into separate White and Colored sections. Such practices tend to make it very difficult to obtain one hundred percent cooperation on controversial issues except in such cases where all, or the majority, of the several sub-divisions of the association are directly involved. These handicaps, together with the limitations imposed upon the size of its treasury, seriously curtail the effectiveness of the independent association as an agency whose principal function is to bargain and negotiate with management for the collective security of its members.

Quart. Journ. Fla. Acad. Sci., 11 (2-3), 1948 (1949).

<sup>14</sup> Chase, *op. cit.*, p. 1